

# City of Detroit

## CITY COUNCIL

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TO: Roger Short, Director  
Budget Department (Non-Departmental)

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 26, 2005

RE: 2005-2006 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2005-06 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Sean Werdlow, Chief Financial Officer  
Renee Short, Budget Department  
Ron Chenault, Budget Department  
Kandia Milton, Mayor's Office

## **Non-Departmental (35)**

### **FY 2005-06 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

#### **Appropriations**

The Non-Departmental agency contains expenditures for the General Fund not specific to any one department. However over the last three years this concept has been violated with the addition of appropriations that should be included in other agencies such as Finance and the Mayor's Office.

The Non-Departmental agency includes funding for the following organizational units including employee positions:

- Detroit Cable Communications Commission (DCCC),
- Detroit Building Authority (DBA),
- Greater Detroit Resource Recovery Authority (GDRRA),
- Detroit Resource Management System (DRMS – Operations and Debt Service,
- Board of Ethics
- Grant Acquisitions Office (added 2003-04)
- Program Management Office (added 2003-04)
- Strategic Management Center (added 2004-05)
- Office of Targeted Business Development (added 2004-05)

For the seventh year, the recommended budget for the DRMS project is budgeted in Non-Departmental. DRMS is considered a special project that will affect multiple departments so the costs are centralized without skewing the costs of any particular staff department for the one-time costs of implementing this system. It is important to note that the on-going operational costs related to DRMS modules that are already implemented are budgeted in the Finance and Information Technology Services Departments.

Over the years, and on an increasing basis, programs with employees have been added to the Non-Departmental budget. When programs with employees are included in Non-Departmental, the real line of reporting is blurred, in fact, completely hidden by the presentation. This allows the administration to obfuscate the number of employees in executive organizations. Our recommendation is to re-align these organizations into the agencies where the employees actually report.

#### **Subsidies:**

Included in Non-Departmental appropriations are subsidies to other City agencies that are considered enterprise in nature. The designation of an agency as enterprise distinguishes it from other agencies in that they were/should be considered self-supporting and do not provide services that are intended to be supported by general tax revenues, but rather by specific revenue sources available for their programs and fees and charges for service.

While occasional financial assistance from general tax dollars might be provided to enterprise agencies to meet special needs or unusual situations, general ongoing financial support should not be provided. However, over time many of these enterprise agencies have grown to expect these general tax dollars as a normal income stream.

Considering the reductions in general fund agencies and the necessity to fund current operations with the assumption of debt in the future, all subsidies should be very carefully reviewed to ensure that the services provided by the enterprise agencies are truly more important and critical, than those of true general fund, general tax supported agencies, like police, fire, sanitation, recreation, etc.

If individual subsidies amounts cannot be eliminated in one year, a plan to reduce these enterprise agency subsidies over a three-year period should be considered for implementation. This would allow the agencies to find substitute revenue sources, or adjust service to their funding levels.

While in the past we have recommended that subsidies be reduced or eliminated, our recommendation included that a plan and timetable be developed. The Mayor's 2005-06 Recommended Budget appears to have taken half of our recommendation by reducing or eliminating subsidies, however taking the savings without a solid plan and timetable equates to budgeting for a deficit. The City can not afford to continue to operate in a deficit position considering the financial status that exists currently.

## **Revenues**

The Non-Departmental agency contains the major revenues supporting the General Fund that are not specific to any one department.

The recommended budget includes estimated revenues of \$1.1 billion, which is \$184.1 million less than the current year's budgeted revenue in Non-Departmental, a 13.9% decrease.

Due to the magnitude of the major revenues that are budgeted in Non-Departmental, the Auditor General's Office and City Council Fiscal Analysis Division will provide major revenue account analysis in separate reports, including the Administration's rational for revenue projections. Therefore, this report includes only highlights and summarization of the major revenues projected for FY 2005-06.

## **2005-06 Surplus/(Deficit)**

The surplus/deficit report was received from the administration last Friday, and the Fiscal Analysis staff is attempting to arrange a meeting with representatives of the Budget Department to gain a better understanding of the administrations estimates. As has been reported to Council by the Fiscal Analysis Division and the Auditor General it appears that the \$67.3 million appropriation for the Prior Year's Deficit is understated by nearly 50%.

## **Personnel and Turnover Savings**

Following is information by appropriation comparing budgeted FY 2004-05 positions, March 31, 2005 filled positions and FY 2005-06 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2004-05</u>	<u>Filled Positions 3/31/2005</u>	<u>Mayor's Budget Positions FY 2005-06</u>	<u>Over/(Under) Actual to 04/05 Budget</u>	<u>Mayor's Recommended Turnover</u>
<b>Non-Departmental (35):</b>					
<b>00276 Greater Detroit Resource Recov. Autho.</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>(3)</b>	<b>\$ -</b>
<b>00277 Detroit Building Authority</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>(1)</b>	<b>\$ -</b>
<b>00972 Cable Communications Comm.</b>	<b>10</b>	<b>9</b>	<b>0</b>	<b>(1)</b>	<b>\$ -</b>
<b>00995 DRMS Operations</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>\$ -</b>
<b>10397 Board of Ethics</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>\$ -</b>
<b>11176 Office of Fiscal Operations</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>(1)</b>	<b>\$ -</b>
<b>11177 Program Management Office</b>	<b>3</b>	<b>1</b>	<b>6</b>	<b>(2)</b>	<b>\$ -</b>
<b>11471 Strategic Management Center</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>\$ -</b>
<b>11541 Office of Targeted Business Development</b>	<b><u>3</u></b>	<b><u>11</u></b>	<b><u>3</u></b>	<b><u>8</u></b>	<b><u>\$ -</u></b>
<b>TOTAL</b>	<b><u>52</u></b>	<b><u>52</u></b>	<b><u>38</u></b>	<b><u>0</u></b>	<b><u>\$ -</u></b>

#### Significant Funding Changes by Appropriation

##### Appro.    Program

00209	Library Support	The appropriation is reduced by \$32,695 or 31%. This appropriation provides support for the operation of the Municipal Reference Library.
00276	Greater Detroit Resource Recovery Authority (GDRRA)	The appropriation for GDRRA employee costs is decreasing by \$204,454. This appropriation is offset by an equal amount of revenue from the authority to cover the cost of the authority employees on the City payroll system. The true cost of GDRRA operations is reflected in the tipping fee in the Department of Public Works Department (Municipal and Environmental Services Department), and Supplemental Tipping Fee in appropriation 00939.
00277	Detroit Building Authority	The appropriation for the Detroit Building Authority is decreasing by \$213,553. On a number of occasions Council has expressed concern that the DBA does not follow City procedures. Council might consider the elimination of the DBA, and the transfer of its functions to City agencies like the City Engineering section of DPW to ensure compliance with City procedures.
00279	Special Commercial Area Maintenance	This appropriation is being reduced by \$136,416 to zero. This program has been terminated, and the current year funding represented the deficit that remained from previous years operations.
00341	Tax Support –	As stated above in the general discussion on subsidies to

DOT		<p>enterprise agencies, the continuation of using general tax dollars in support of operations that should be self-sufficient should be reviewed. If the total subsidy cannot be eliminated all at once, the agency should be put on notice that the subsidy will be eliminated over a manageable timetable, possibly 3 years.</p> <p>The Mayor's budget anticipates that DOT will be taken over by a regional authority by January 1, 2006. We must assume the requested subsidy for DOT of \$62.7 million is for only six months and if a regional authority does not assume operations that potentially another \$62.7 million may be required. The question has been raised but not answered by the administration.</p>
00347	Airport Subsidy	<p>The appropriation is decreasing by \$2,568,402 to zero. This reduction is based on the proposal to contract with a fixed based operator (FBO) for operation of the airport. While this is an interesting proposal, it is hard to believe any business would assume an operation that has required a large annual subsidy from the City, even considering possible economies offered by private concerns.</p> <p>A plan to close the Airport should be developed along with potential alternate development options for the land investigated.</p>
0362	Tax Increment Districts	<p>The appropriation is increasing by \$7.5 million dollars year to year. This represents a 39.9% increase. The tax increment districts in this appropriation include the Downtown Development Authority, General Motors, and Chrysler - LDFA. This appropriation represents the pass thru of property tax collections on the increase in valuation due to investment in the district. If not for the special district these tax dollars would be available to support services citywide.</p>
00396	World Trade Program	<p>This appropriation is for the City portion of the cost of the Detroit Port Authority operations.</p>
00444	Prior Year's Deficit	<p>An appropriation to cover the anticipated current year deficit in the budget for the next fiscal year is a legal requirement. This appropriation is being budgeted for the first time in a number of years, as the administration has previously proclaimed that the current year would end in a balanced state. Even at \$67.3 million there is concern that this will not fully address the final 2004-05 year end deficit. We have estimated that the current year end deficit could be as large as \$113 million. Any amount above the \$67.3 as a result of 2004-05 operations will cause an immediate deficit in fiscal 2005-06, conversely an amount less than \$67.3 million will create a surplus in the 2005-06 budget. For discussion or example purposes, a \$67.3 million</p>

year end deficit equates to spending \$5.6 million per month more than the revenue collected (\$67.3 million / 12 months = \$5.6 million per month).

00578	Parking System Operating Advance	The appropriation and associated revenue in the same amount are decreasing by \$881,590.
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00650	G.O. Bond Earnings	This is a bond fund appropriation and represents the available earnings from unused General Obligation Bond monies from prior bond sales. The earnings can be appropriated for capital improvement projects for the next fiscal year. This money is incorporated into the Capital Budget program and is itemized in the Capital Budget hearing report.
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There is an increase of \$328,000 over the current year of interest earnings that can be appropriated for projects for a total amount of \$1,190,000. This increase reflects both higher interest rates and balances available for investment. The detail of capital projects to be funded is included in the capital budget presentation.

00852	Claims Fund (Insurance Premium)	<p>The Mayor's 2005-06 Recommended Budget reduces this appropriation by \$6.3 million dollars from the current year. <u>This is under funding the account by \$12.5 million per the analysis of the Auditor General.</u> In past years the administration has used the tactic to refinance the bonds used to establish the fund in order not to recognize the true annual costs to maintain the fund. That approach has been worn out and now the administration has decided to ignore the established funding calculation (the average of five years of claims history) and arbitrarily reduce the funding by \$12.5 million based on an unproven savings proposal.</p>
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In addition, the Auditor General's analysis points out the potential of the fund falling below the \$20.0 minimum balance. Should this happen an addition payment from the general fund will be required.

The ordinance governing the risk management fund states:  
 "The Finance Director shall make an annual report for the most recently completed fiscal year to the City Council before the twentieth day of January of each year regarding the performance and fiscal status of the Risk Management Fund. The annual report shall include the loss experiences of the departments, respectively, as well as investment earnings with respect to the Risk Management Fund, together with a recommendation thereon as to the appropriations necessary to carry out the provisions of this division."

In another section, "The Finance Director shall take into

account actuarial determinations based on the loss experiences of the department.”

And finally the ordinance allows adjustments to the contributions to the fund, but the adjustments must be based on “prior losses of the respective departments”. We do not find any verbiage that allows the Finance Director to factor in “future savings” in the calculation of contributions to the fund.

00939	Supp. Fee (GDRRA)	The supplemental fees relate to the sale-leaseback transaction involving the sale of the Greater Detroit Resource Recovery facility. The city sold the facility to private investors on October 23, 1991. As a part of the transaction, the city agreed to pay an outside operator of the facility a supplemental fee equal to the amount of the lease payment the outside operator pays to the private investors. This appropriation represents the supplemental fee to the outside operator. As part of the purchase price, the private investors took on a mortgage. The mortgage payment to the city equals the amount of the lease payment, which equals the supplemental fee. The mortgage payment is also budgeted in Appropriation 0939. Bond counsel recommended that the transaction flow be reflected in the Non-Departmental budget starting in FY 1995-96. The result of the transaction has no affect on the General Fund.
00972	Cable Communications Commission	The appropriation is decreasing by \$1,457,646 to zero. The Mayor’s recommendation moves this operation from Non-Departmental to a new agency, the Communications Department.
00973	Government Access	The appropriation is reduced \$590,487 to zero. The Mayor’s recommendation moves this operation from Non-Departmental to a new agency, the Communications Department.
00995	DRMS	The appropriation is decreasing by \$2.9 million, due to the ending of debt service payments for the system. The budget for the past 6 years has shown an appropriation for DRMS project in Non-Departmental so as not to skew the budget presentation of any staff departments for the one-time cost of system development. The appropriation is decreasing by \$2.9 million, due to the ending of debt service payments for the system.
4443	Adjustments and Undistributed Costs	This appropriation is decreasing by \$2.5 million dollars. The appropriation in 2004-05 represented pension and fringe costs adjustments that could not be spread correctly at the time of budget development so a lump sum appropriation was necessary. Pension and fringe benefit costs are currently spread throughout the budget, however we continue to request documentation from the administration to support their cost estimates. Both the Fiscal Analysis staff and Auditor General

believe pensions and fringes benefit costs are under-funded.

04739	General Revenue – Non-Departmental	This appropriation originally included an account to be used to pay interest on municipal income tax refunds that were not processed in a timely fashion. The 2004-05 budget included \$150,000 for the income tax refund interest. In the 2004-05 budget the administration included \$4.7 million to reflect a payment to the County of Wayne for delinquent property taxes the County is unable to collect. In the Mayor's 2005-06 Recommended Budget the administration is proposing to net the uncollected property tax amount against the estimated revenue account. In our opinion changing to the proposed method will make it more difficult for Council to see what is happening as the revenue account will be the net of collections and the payment to Wayne County. We would prefer to keep the revenue collection and payment for uncollected delinquent taxes separate. The net affect on the budget will be zero as whatever amount is added to this appropriation will be reduced from the current year property tax account. Our office can provide the appropriate budget amendment for Council's executive session. Either method will likely meet the outside auditor requirements, but we favor full disclosure.
05414	Museum of African-American History	This appropriation is increasing by \$515,000 to \$1.805 million and represents a subsidy to the museum for operational costs (salaries, contractual services, marketing and public relations).
10387	Housing Support-Security	This appropriation is decreasing by \$1,257,000 to zero. The program begun in the 2000-2001 fiscal year provided 24 hour, seven day, security services in senior citizen buildings. Considering that the Housing Commission has been declared separate from the City, although a final agreement has not been submitted to Council by the administration for review, the funding of this service is clearly the responsibility of the Housing Commission and not the City.
10633	Internal Service Fund-Vehicles	The appropriation is decreasing by \$20.5 million. This appropriation in the Internal Service Fund reflects the principal and interest of \$20.3 million for vehicle purchases in prior years from the fund. No new vehicles purchases are funded in the new budget, purchases made will be for vehicles included in the 2004-05 Budget with funds that will be balanced forward for the special purpose.
10634	City Vehicles – Lease Purchase	The appropriation is decreasing by \$28,963. The appropriation pays the lease payment to the Internal Service Fund for vehicles previously purchased by the fund and currently being used for operations. This lease payment provides the funding to allow debt service payments to be made from the Internal Service Fund-Vehicles.



11176	Grant Acquisitions Office/Office of Fiscal Operations	This appropriation was included in the 2004-05 Budget as "Grants Acquisition Office" and was justified on the basis of the appropriation (program title). The Mayor's 2005-06 Recommended Budget includes the same appropriation number with a new, and completely different title of "Office of Fiscal Operations". We question the changing of an appropriation, program in this manner. With the change in title of the appropriation (program) there is even less reason for this program not to be included in the Finance Department. Fiscal Analysis Division recommends that this appropriation be transferred to the Finance Department.
11177	Program Management Office	This appropriation is increasing by \$26.0 million dollars mainly for the cost of a new payroll system.
11471	Strategic Management Office	This appropriation should be transferred to the Mayor's Office if the associated positions remain appointees. Or if the titles are changed to classified position, the transfer of the appropriation may be more appropriate to the Finance Department or Budget Department. This office was credited with a number of the initiatives included in the Mayor's budget and assisting in the efforts to balance the budget. These initiatives and savings potential have not been supported by documentation to this point. It is questionable as to the true savings potential of these initiatives because few if any programs have been eliminated or changed other than relocated in the budget. Timetables for implementation and alternatives if the initiatives fail have not been produced. Elimination of the program is another option to be considered.
11519	Fiscal Stabilization Bond Expense	The appropriation will include the interest and principal on the \$61 million deficit funding bonds sold previously to address the 2002-03 deficit of \$69 million. At least the budget presentation does not include the sale of additional fiscal stabilization bonds.
00992	Capital Improvement Bonds – DIA	The recommended budget includes \$4.8 million of bonds for improvements at the Detroit Institute of Arts. This represents a decrease of \$325,400 from the amount of bonds included in the current budget. After the sale of these bonds there will be \$5.0 million remaining authorization of the total of \$25 million approved by the voters in Nov. 2000.
10724	Museum of African American History	The budget includes \$200,000 of capital re-investment earnings for the museum. We believe these funds are intended to correct and/or repair problems that remain from construction.

## **Significant Revenue Changes by Appropriation and Source**

### **Appro.    Program**

00852	Claims Fund	This account is decreasing by \$61.5 million dollars primarily from not including the re-financing of the claims fund in the new budget.
04739 401110	General Revenue Property Tax	The projected revenue of \$185.9 million for the 2005-06 property tax collection reflects a \$25.1, or 15.6% increase over the current year. This is somewhat misleading as the basis for budgeting this account is being changing. See question number 18 below.
402100	Prior Years Real Prop. Tax	The revenue account is decreasing by \$42.4 million to a total of \$2.0 million and represents a 95.5% decrease from the current budget. This decrease is somewhat misleading as the basis used to budget this account is changing. See question number 18 below.
402200	Prior Years Pers. Prop. Tax	The revenue account is decreasing by \$6.7 million, a 97.1 % decrease. See question number 18 below.
402210	Prior Years Pers	The revenue account is decreasing by \$3.5 million, a 97.2 % decrease. See question number 18 below.
404100	Municipal Income Tax	The account is decreasing by \$38.4 million bringing the projected revenue for income tax to \$272.6 million. The tax rate will not be reduced because the City met the requirements to delay the legislated rate reduction for another year. The assumed growth rate for income tax is a negative 1.3%.
404105	Prior Years Municipal Income Tax	This revenue account represents the anticipated collection of prior year income taxes by MBIA. The amount is decreasing by \$5.5 million, to a total estimated amount of \$2.5 million. This level of collection more accurately reflects the performance of the contractor's efforts to collect prior year income taxes.
405200	Wagering Tax	This increase of \$35.4 million represents a 30% increase from budget to budget. This increase includes an increase in rate placed on the casinos by the State in Sept. 2004, a 2% growth rate, and a 1% increase in the wagering tax as of Jan. 1. 2006. The collection of the portion of the increase, \$5.5 million, associated with the Jan. 1, 2006 increase, could be

jeopardized if all court injunctions are not resolved before then.

422141	State Revenue	The total of these revenues is \$283.5 million. A decrease of \$.3 million from the current budget. Part of the appropriation is funded constitutionally and fixed by formula – 15% of sales tax per capita. The other portion was legislated in December 1998 and is fixed for the next eight years. If the constitutional part increases because of the formula, then the legislated portion is reduced to keep the city at the \$331.93 million. The above was the agreement until the State's budget problems caused them to reduce revenue sharing by Executive Order, Legislative Acts, and Executive Budget recommends. The proposed amount is the net result of the above agreement, State cuts that violate the agreement, and the effect of state sales tax projections.
422142	Sharing	
407300	Prepared Foods Tax	This is a new tax proposed by the Mayor that the administration anticipates State approval, voter approval and necessary local ordinance adoption in time to begin collection of the tax in Sept. 2006. The budget estimates the collection of \$12.3 million for the remainder of the fiscal year.
407305	Transfer Tax	This is a new tax proposed by the Mayor that the administration anticipates State approval, voter approval and necessary local ordinance adoption in time to begin collection of the tax in Sept. 2006. The budget estimates the collection of \$2.475 million for the remainder of the fiscal year.
06925	Temp Casino Site	This \$15.3 million represents the municipal service fee the casinos pay annually. They are required to pay the greater of \$4 million or 1.25% of net collections. The \$416,000 represents a 2.0% increase in revenue.
11518	Pension Obligation Bonds	This revenues amount is decreasing by \$80.1 million to zero. The sale of pension obligation bonds was a one time proposal to fund the unfunded accrued actuarial liability of both pension systems. The sale was delayed until the release of the Comprehensive Annual Financial Report as of June 30, 2004 for the City.

11177	Program Management Office	This is a new revenue source included in the budget that we believe is intended to fund a new payroll system.
522110	Project Borrowings	

Budgeted Professional and Contractual Services by Activity

**Non-Departmental (35)**

Budgeted Professional and Contractual Services by Activity	FY 2004-05 Budget	FY 2005-06 Recommended	Increase (Decrease)
Non-Departmental	\$ 1,860,323	\$ 2,559,778	\$ 699,455
Detroit Building Authority	136,416	-	(136,416)
Greater Detroit Resource Recovery	-	-	-
Program Management Office	-	25,358,248	25,358,248
Strategic Management Center	-	430,000	430,000
Contributions, Subsidies & Advances	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,246,739</u></b>	<b><u>\$ 28,598,026</u></b>	<b><u>\$ 26,351,287</u></b>

Issues and Questions

1. The historical concept behind the Non-Departmental Agency is a location for program expenditures, generally without positions that are not the responsibility of or related to any other single agency. The adding of operations like Grants Acquisitions, Program Management in the current year, and the Strategic Management Center in the new request does not fit the intended purpose of the Non-Departmental Agency. While these operations will provide services to many or possibly all other agencies, they are not any different than all other staff agency. The presentation of these programs hides the true reporting structure. Why shouldn't these operations be moved to those agencies, as divisions, under the identified responsible executive?
2. Has the need for the Detroit Building Authority passed? Could the Building Authority be eliminated in its present form with the functions incorporated into City agencies that must follow City procedures? Is there a potential for cost savings by this type of structural change?
3. Explain how the salary account for the Detroit Building Authority decreased by 20% between fiscal year budgets in light of the fact there is no change in positions?
4. Explain the 40% increase in the pass thru appropriations for various tax increment districts?
5. At what point in time can the special tax increment districts be dissolved in order that the captured taxes can be re-applied to City-wide services in lieu of district services only? Can the DDA provide funding for the People Mover? Can any of the other districts designate any of the captured taxes to offset City operational costs within the district?

6. What additional subsidy will be required to fund DOT operations if the system is not taken by a regional authority by January 1, 2006? Since the idea of a regional transportation system has been discussed for over 30 years, what concrete evidence can be provided that allows this concept to be incorporated into the budget?
7. Please list all airport operations such as ground maintenance, runway clearing, airport security, etc. that you are proposing that the FBO assume. Provide a listing of other airports where the FBO has assumed these duties. Document if any discussions have been conducted with FBO's on the possibility of the FBO assuming operations of the Airport. What is the timetable for development of an RFP, RFQ, or bid package, review and awarding of the contract for operation of the Airport. Provide the alternative that will be implemented should a FBO not be found to prevent a subsidy to the Airport from the general fund.
8. Explain to City Council the Parking System Operating Advance and how this appropriation and associated revenue can be reduced considering that the Parking System has been, and we believe continues to operate at a loss.
9. Provide to City Council the most recent "annual report" required by ordinance from the Finance Director on the Risk Management Fund including the "actuarial determinations" used and the Finance Director's rationale for including future potential savings in reducing the recommended 2005-06 contribution to the Risk Management Fund.
10. Explain the decrease of \$8.8 million in the Greater Detroit Resource Recovery Authority supplemental tipping fee? How does this relate to the announced deficits claimed by GDRRA over the last year or two? What are the ramifications of reducing this account, and GDRRA having another operating deficit?
11. Explain and provide documentation (debt schedule to payoff, GDRRA budget, or other reports) to support each account, debt service, lease payment, operating funds, for GDRRA included in the City's budget. From information provided by GDRRA the debt service payment for 2005-06 is \$47.8 million dollars. Where in the City accounts is the amount?
12. What are the steps necessary for the City to terminate the agreement with the County and State that requires the City to appropriate \$250,000 (World Trade appropriation) to the operation of the Port Authority?
13. How can the administration justify increasing the contribution for operations to the Museum of African American History at a time when the City operations cannot be adequately funded? The amount of increase is exactly the amount that was requested previously and it appears that the museum just rolling their deficit until the City pays it off. What happened to highly publicized funding raising support for the museum? Why aren't those funds being used to cover the operations of the museum?

14. Where is the Memorandum of Agreement between the City and Housing Commission that has been promised for months by the administration?
15. Explain the \$25.9 million dollar increase requested in the Program Management Office for a new payroll system? Is this the total anticipated cost for the project or for one year's development activity? What is the funding plan for the project? Is this the right time to undertake the development of a major system by the City? A system that is more complex than the financial system. Provide the timetable for completion of the project? Where does the project stand currently? Has any contract been submitted to Council for work already completed? Who is leading the project both internal to the City and external consultants?
16. Provide the funding plan for the Project Borrowings of \$25 million associated with the new payroll system.
17. What plans or projections does the Finance Director have for the sale of additional fiscal stabilization bonds? Timing and debt repayment schedule?
18. The current budget includes \$80.1 million revenue for the sale of pension obligation bonds. Those bonds should be in the process of going to market. Please provide an analysis of the sale compared to the proposal included in the budget. Include the amount of savings to the general fund, and all funds, as the sale was originally proposed and approve to Council, and currently as the bonds are about to be sold. The Auditor General staff indicated that the current plan by the administration is to capitalize interest for both fiscal 204-05 and 2005-06, which we believe to be different that previously explained. There is concern that the new structure will move virtually all of the potential savings to the first two years, with no savings, or cushion in the remaining years of the sale. Is this true? Or has the structure of the sale and savings been modified in any manner?
19. Provide a year-to-year comparison of the current year property tax, prior year property tax, personal property tax, and prior year personal property tax revenue accounts, and any associated appropriation accounts, and explain the proposed changes in the budgeting and reporting of property, real and personal, taxes. Please provide this on the basis of allocating property taxes to the general fund, and also for the allocation of property taxes to other funds and special districts. Explain why real property tax collections are down \$10.1 million dollars year-to-year.
20. Please provide the necessary reductions that will be put into place if the Prepared Food Tax is not implemented by Sept. 2006.
21. Please provide the reductions that will result should the transfer tax not be implemented by Sept. 2006 as proposed in the Mayor's Budget.